

Board of Investment Trustees
Montgomery County Retiree Health Benefits Trust

STATEMENT OF INVESTMENT POLICY FOR COMMINGLED/MUTUAL FUNDS
(ADDENDUM TO BOARD'S STATEMENT OF INVESTMENT POLICY)

The Board of Investment Trustees adopts this policy statement as a guide to its oversight over the investment assets of the Retiree Health Benefits Trust (RHBT) that are invested in commingled or mutual funds.

INVESTMENT OBJECTIVE

The Board must discharge its duties with the care, skill, prudence, and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purpose. This standard of care includes diversifying the investments of the RHBT to minimize the risk of large losses, unless it is clearly not prudent to diversify under the circumstances.

Investment in commingled and mutual funds presents investment options to maximize the Board's diversification plan and asset allocation strategy.

INVESTMENT PROGRAM

The Board or investment manager may invest the assets of the RHBT in commingled or mutual funds it considers prudent within the policies set by the Board. Investment objectives for monies invested in commingled or mutual funds are stated in the investment manager's prospectus, declaration of trust or other governing documents. Prior to approving any investment manager policies governing mutual or commingled funds, the Board will perform an analysis and due diligence of any substantive differences between the Board's policies and the investment manager's policies. The analysis and due diligence will include, but not be limited to, fund diversification, international investing, types of securities in the portfolio, hedging strategy, position limits, liquidity, and the use of derivatives.

1. Asset Allocation - The Board will establish an asset allocation policy limit based on analysis of the RHBT' liability structure and expected market conditions over a five-to-ten year horizon. These policy levels will be designated in writing and will include acceptable ranges of exposure for primary asset classes.
2. Rebalancing Program - The Board will establish a rebalancing policy that will monitor the asset class levels of the RHBT. This written policy and the rebalancing will become effective once a specified threshold level has been achieved. The Board will direct the staff/manager to execute the rebalancing of assets through the purchase/sale of commingled funds within a reasonable time frame.
3. Authorized Investment Managers - By County statute, with certain exceptions, all funds must be managed by external investment managers who serve at the pleasure of the Board. External managers have full discretion over acquisitions and dispositions of investments. Selection of any investment manager is subject to the Board's Procurement Policy.
4. Investments by the Board - The Board may invest directly in any type of pooled investment vehicle, including but not limited to any combined, common or commingled trust fund, retirement or annuity contract, mutual fund, investment company, association or business trust. In addition, the Board may direct Board staff to make investments in pooled investment vehicles and transition assets from one investment manager to another investment manager.
5. Authorized Investments - The investment manager may invest in securities as defined within their investment prospectus, declaration of trust or other governing documents if the Board determines that the investment objectives of the mutual or commingled fund meet the criteria set forth in the Board's investment policies.

6. Indicia of Ownership - County statute requires that the indicia of ownership of the assets must be maintained within the jurisdiction of U.S. district courts except as permitted by County regulation consistent with federal regulations. The relevant federal and County regulation permits indicia of ownership to be maintained by a foreign securities depository or bank which is supervised by an authorized foreign government agency or regulatory authority, so long as the depository or bank recognizes the RHBT's ownership of the assets, and the bank is liable to the RHBT in the same manner as is a U.S. bank.

INVESTMENT RESTRICTIONS

1. Liability- The Board will not invest in securities in mutual or commingled funds having unlimited liability.
2. Liquidity- Commingled or mutual funds must demonstrate reasonable and efficient processes to ensure the liquidity of fund assets.
3. Derivatives- The Board may invest in commingled and mutual funds that use derivatives. The Board must obtain sufficient information to assess the following: The fund's strategy with respect to derivatives in its portfolio; the extent of investment by the fund in derivatives; and other such information the Board deems prudent. The Board will monitor the fund's notional value of all derivatives to determine whether the fund exceeds the Board's limits on derivative securities. The Board may delegate use of derivatives, based on its **Derivatives Policy** and, may amend that policy based on the investment fund managers' use of derivatives as described in their prospectus, written characteristics, or other governing documents. The investment manager will provide the Board with a quarterly report on use of derivatives in accordance with the Board's **Derivatives Policy**.

Adopted: May 16, 2008